

Assembly Bill No. 2365

Passed the Assembly May 31, 2016

Chief Clerk of the Assembly

Passed the Senate August 11, 2016

Secretary of the Senate

This bill was received by the Governor this _____ day
of _____, 2016, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

An act to add and repeal Section 6010.15 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2365, Gipson. Sales and use taxes: exclusion: pawnbrokers: transfer of vested property.

Existing sales and use tax laws impose a tax on retailers measured by the gross receipts from the sale of tangible personal property sold at retail in this state, or on the storage, use, or other consumption in this state of tangible personal property purchased from a retailer for storage, use, or other consumption in this state. Existing law defines “sale” and “purchase” for these purposes and provides certain exclusions from those definitions.

Existing law regulates pawnbrokers by, among other things, requiring every loan made by a pawnbroker for which goods are received in pledge as security to be evidenced by a written contract, a copy of which is required to be furnished to the pledgor. Existing law requires the loan period of a loan contract to be no less than 4 months, and requires the loan contract to set forth the loan period, the date on which the loan is due and payable, and to clearly inform the pledgor of his or her right to redeem the pledge during the loan period. Existing law provides procedures by which a pawnbroker may become vested with the title to pledged property.

This bill, until January 1, 2022, would provide that “sale” and “purchase” do not include the transfer of vested property, as defined, by a pawnbroker to a person who pledged the property to the pawnbroker as security for a loan if specified requirements are met, thus excluding that transfer from imposition of sales and use tax.

The Bradley-Burns Uniform Local Sales and Use Tax Law authorizes cities and counties to impose local sales and use taxes in conformity with the Sales and Use Tax Law, and existing law authorizes districts, as specified, to impose transactions and use taxes in accordance with the Transactions and Use Tax Law, which

generally conforms to the Sales and Use Tax Law. Amendments to state sales and use taxes are incorporated into these laws.

Existing law requires the state to reimburse cities and counties for revenue losses caused by the enactment of sales and use tax exemptions.

This bill would provide that, notwithstanding those provisions, no appropriation is made and the state shall not reimburse cities and counties for sales and use tax revenues lost by them pursuant to this bill.

This bill would take effect immediately as a tax levy.

The people of the State of California do enact as follows:

SECTION 1. Section 6010.15 is added to the Revenue and Taxation Code, to read:

6010.15. (a) “Sale” and “purchase” for the purposes of this part do not include the transfer of title to vested property by a pawnbroker to a person who pledged the property to the pawnbroker as security for a loan and from whom title to the property transferred to the pawnbroker pursuant to Section 21201 of the Financial Code, if both of the following requirements are met:

(1) The transfer occurs no more than six months after title to the property transferred to the pawnbroker from the person pursuant to Section 21201 of the Financial Code.

(2) As consideration for the transfer of the property, the person is required to pay the pawnbroker only the remaining unpaid balance of the amount borrowed under the loan as of the date the pawnbroker becomes vested with title to the property, together with one of the following:

(A) For an original loan amount not exceeding two thousand four hundred ninety-nine dollars and ninety-nine cents (\$2,499.99), charges and interest due under the loan pursuant to Chapter 2 (commencing with Section 21200) of Division 8 of the Financial Code, from the date the pawnbroker is vested with title to the property to the date of the transfer to the person who pledged the property.

(B) For an original loan amount of two thousand five hundred dollars (\$2,500) or more, charges and interest due in accordance with the last monthly contractual interest rate, from the date the

pawnbroker is vested with title to the property until the date of the transfer to the person who pledged the property.

(b) As used in this section:

(1) “Pawnbroker” has the meaning described in Section 21000 of the Financial Code.

(2) “Vested property” has the meaning described in subdivision (b) of Section 21002 of the Financial Code.

(c) This section shall become inoperative and shall be repealed on January 1, 2022.

SEC. 2. Notwithstanding Section 2230 of the Revenue and Taxation Code, no appropriation is made by this act and the state shall not reimburse cities and counties for any sales and use tax revenues lost by them under this act.

SEC. 3. This act provides for a tax levy within the meaning of Article IV of the Constitution and shall go into immediate effect.

Approved _____, 2016

Governor